Identity Crisis: Not-for-Profit in a Profit World

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Jobs for the Future develops, strengthens, and promotes learning strategies and workforce solutions.

Jobs for the Future informs policymakers, practitioners, the media, and the public about our programs to:

- Strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers;
- Increase opportunities for low-income individuals to move into family-supporting careers; and
- Meet the growing economic demand for knowledgeable and skilled workers.
The Main Themes:

- Sea change in the landscape, competition, commercialization here to stay. So are non-profits.

- Non profits must respond to the demands of the new economy to survive

- Leading-edge non profits are rising to these challenges by
  - implementing new partnerships for service delivery
  - creating different approaches to “scale up”
  - incubating social ventures.
Changing Landscape

• Lockheed Martin IMS. Awards include:
  – $33 million to Washington DC
  – $15 million to Dade County, Florida to run Welfare to Work programs.

• A company called Maximus achieved $220 million in revenues in 1998:
  – $24 million in Wisconsin
  – Large contracts in LA, Maryland, Pennsylvania, and Virginia.

• The privately held Edison Project runs 51 schools with 24,000 pupils. In Philadelphia: 264 schools with 200,000 students.
Why such a sea change?

- Belief in market competition as the solution to efficiency and better performance
- Reinvention of government: devolution and outsourcing.
- Sweeping reform welfare and WFD systems
Challenges of the New Economy: 2001 and Beyond

• Now more than ever there is an economic premium on postsecondary education and higher technical skills.

• The rules of the economy have changed: domestic to global, employment stability to job churning, one breadwinner to two

• There is a premium on speed, flexibility, efficiency & technology
Increasing Premium on Postsecondary Education

Source: U.S. Census Bureau, December 2000
### Challenges of the New Economy

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<th>Old Assumptions</th>
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<td>Work and Family Relationship</td>
<td>Clear separation of roles; Male breadwinner with wife at home</td>
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There is no turning back for non-profits.

The real question is not whether an organization is for-profit or non-profit, but how it can adapt quickly to the demands of the knowledge-based economy and apply entrepreneurial approaches and market practices to achieve its social objective.

The non-profits which are thriving in this new landscape have figured out how to do this.
The Solution

- Stay on “mission”
- Use entrepreneurial approaches
- Define market niche
Non-profit Approaches to the New Landscape

Three high-leverage strategies:

- Creating new partnerships for service delivery
- Spread innovations through scalable solutions
- Developing social ventures as part of non-profit enterprises
"Co-opetition": potential competitors are joining forces and competing for social service, job training, and placement contracts.

- YWCA, a nonprofit in Milwaukee, Wisconsin
- Lockheed Martin, Broward County, Florida
YWCA joined with two for-profit organizations: Kaiser Group and CNR Health.

Formed a for-profit LLC called YW-Works.

Won the bid for Milwaukee’s job training and employment services, school-to-work and welfare-to-work programs.
• In Broward County, Florida contracted out its welfare services.

• Lockheed Martin won 7 out of 12 of the contract components—all with a non-profit partner.
In an environment of healthy competition…

...forming strategic partnerships can:

- Encourage nonprofits or for profits to take lead
- Leverage assets of the partners
- Increase accountability
- Mitigate risks for non-profits
Innovations through Scalable Solutions

How do you convert the innovative solution into the prevailing rule?

– Franchise model: YouthBuild, USA
– Sectoral model: Wisconsin Regional Training Partnership
– Build-to-Scale model: Origin, Inc.
The Challenges of Getting to Scale

- Transferring organizational culture
- Branding your services and products
- Establishing quality standards
“Franchise-like” Model

- Supports local capacities
- Sets definition of products and services
- Brands the product through quality
Franchise model: YouthBuild, USA

- Helps disadvantaged youth ages 16 - 24 to complete high school and acquire construction and leadership skills while rehabilitating low-income housing.

- Over 108 centers in 34 states serving 5,000 youth annually.

- Expansion goal: $150 million in federal funds
What is a Sectoral Model?

Non-profit organizations are organizing networks of employers within industry sectors to work on common work force challenges.

- Skill shortages
- Upgrading skills
- Modernization
Sectoral Model: Wisconsin Regional Training Partnership

- A multi-union, multi-employer effort to link employers, workers and unions to improve worker training and preserve jobs.

- Formed in 1991, it works with public institutions involved with the manufacturing industry.
  - Generates more than $21 million in investments
  - 6,000 people receive training each year
  - Initial placement of low-income adults at $22,000 Annually
  - Covers 60,000 workers, 56 firms and 14 international unions
Build-to-Scale Models

Test new scale-up strategy by creating a nonprofit built for scale from beginning

- Origin
- Year-Up
JFF Entered the Arena

- Provide a route out of poverty & into family-supporting careers for low-income adults
- Blend commercial practices with social mission
- Test new scale-up strategy by creating a nonprofit built for scale from beginning
- Build capacity of 88 CBO’s in 10 cities across the nation
Build-to-Scale Model: Origin

- Non-profit which trains and places low-income workers in IT sector jobs.
- Competes with temp firms by leveraging public dollars, reducing employee turnover and providing advancement opportunities.
- Works with large national corporate clients such as Chase, Solomon Smith Barney, and Citibank.
- Jobs pay between $30,000 - $40,000/yr, compared to Employment and Training placements at $14,000/yr.
- Goal: 8,000 placements in 5 years
Social Ventures and Non-profit Enterprises

Business enterprises that accomplish social results:
- Income-generating businesses
- Owned/operated by non-profits
- Employ at-risk clients

These enterprises exemplify the merging of business practices and goals and social mission.
Los Angeles: Chrysalis

- Locating and creates employment opportunities for homeless and other disadvantaged people.
- Labor Connections, a staffing agency and StreetWorks, a street cleaning business, form the core of their employment brokering.
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In Conclusion...

The landscape is changing and the change is here to stay.

Key message for nonprofits:
- Critically important to “stay on mission”, BUT
- Must adopt and employ better business practices to compete and survive
- View the changing landscape as an “opportunity” And embrace the change